

IRS TO EXAM TRADE ASSOCIATIONS AND LABOR ORGANIZATIONS IN 2011

In its FY 2011 work plan, the Exempt Organizations Division of the IRS announced that they are increasing their focus on Section 501 (c) (4), (5) and (6) organizations. In their FY 2011 Annual Report and Workplan, the IRS stated that “with the additional information available on the new Form 990, we will look at issues including political activity, inurement and the extent of compliance with the requirements for tax exemption by organizations that self-identified themselves as a Section 501 (c) (4), (5), or (6) organization”.

The IRS has increasingly become concerned with the operations of tax-exempt organizations. The reasons for this seem to be the general sense by the IRS that exempt organizations are not very good at governance and oversight, as witnessed in the press with the fraud and abuses of major organizations, the influence exempt organizations have exhibited in the political arena, and the increase in types of revenues organizations are recognizing.

Tax rules for exempt organizations are unique and complex. In fact, some rules for exempt organizations seem contradictory to the rules of other taxable entities. However, one thing is always clear – any question regarding administration, governance, changes in revenue products, changes in activities and/or programs, etc. should be reviewed for compliance by your CPA and, in some cases, your attorney as well.

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